

From: [Paul Kelly](#)
To: [E-OHPSCA-STOPLOSS.EBSA](#)
Subject: Self-Funding Stop-loss
Date: Monday, May 07, 2012 2:03:15 PM

1. How common is the use of stop loss insurance in connection with self-insured arrangements? **Stop-loss insurance is used often as a method to mitigate financial risk for an employer or Plan that elects to Self-Insure their group health plans.**

- Does the usage vary (and, if so, how) based on the size of the underlying arrangement or based on other factors? **The usage doesn't vary however, the level of risk for the Policyholder varies based on the level of benefits offered, the size of the group covered under the health plan and cost of medical care in a geographic area. The loss limit (specific deductible) is a decision determined by a buyers budget. (similar to a deductible in an auto policy. The buyer decides the deductible level).**
- How many individuals, if known, are covered under stop loss insurance (either nationally or on a state-specific basis)? What are the trends? Are past trends expected to be predictive of future trends? Is the Affordable Care Act expected to affect these trends (and, if so, how)? **It is difficult to know the exact amount of individuals are covered by Stop-loss Insurance. It really is a function of an employers budget. Many insurance companies (that offer tradition fully insured products) use stop-loss insurance to protect their risk, so it is most likely most individuals covered by a health insurance plan.**

2. What are common attachment points for stop loss insurance policies, and what factors are used to determine these attachment points? **There is know common amount but a specific stop-loss amount is typically between 5 and 15% of the annual expected claims.**

- What are common attachment points by employer size (e.g., for plans with fewer than 50, between 50 and 100, or between 100 and 250 employees, and how do these compare to attachment points used by larger plans)? **Example: Group of 150. Average Claim cost per employee is \$12,500. $150 \times \$12,500 = \$1,875,000$. Specific Stop-loss Attachment Point would be anywhere between \$100,000 and \$250,000.**
- What are the lowest attachment points that are available? What are the trends? **Certain states have minimum stop-loss amounts. In NJ it is \$25,000. More employers consider self-funding because carriers have been unsuccessful at reducing health insurance premiums.**

¹⁰For example, Hall has cautioned that aspects of the Affordable Care Act could motivate some small businesses with younger, healthier employees to self-insure and buy relatively comprehensive stop loss coverage, and that this might increase premiums for small businesses that purchase insurance. See Mark A. Hall, Regulating Stop-Loss Coverage May Be Needed to Deter Self-Insuring Small Employers From Undermining Market Reforms, *Health Affairs*, 31, no. 2 (2012): 316-323. Eibner et al. generally conclude that self-insurance will have little effect on premiums for small group coverage, but suggest that this conclusion might change if affordable, attractive stop-loss policies become more available. See Christine Eibner, Carter C. Price, Raffaele Vardavas, Amando Cordova and Federico Girosi, Small Firms' Actions in Two Areas, And Exchange Premium and Enrollment Impact, *Health Affairs*, 31, no. 2, (2012): 324-331.

-8-

3. Are employee-level (“specific”) attachment points more common, or are group-level (“aggregate”) attachment points more common? What are the trends? What are the common attachment points for employee-level and group-level policies? **Specific level are more common as this protects the policyholder from “unknown” risk. Similar to Life or Disability insurance Stop-loss insurance is protection against unforeseen high dollar medical**

bills on an individual.

4. How do insurers work with small employers to integrate stop loss insurance protection with self-insured group health plans? **Insurers provide flexibility to the self-insured plans.**

- What kinds of options are generally made available? **The options are Specific Deductible or risk levels, Contract Maximums vary.**
- Are policies customized to meet the needs of different employers? **Yes**
- How are the attachment points for a stop loss policy determined for an employer? **See question 1.**
- Do self-insured group health plans purchase stop loss insurance anticipating that they will purchase it

every year? **Most employer's know they will purchase every year.**

5. For a given attachment point, what percentage of total medical costs incurred by the employees is typically paid for by the employer and what percentage is typically paid for by the stop loss insurance policy? **This varies based on the groups claims experience. If the group has a \$1,00,000 in total claims with one person having \$500,000 of the total and the Specific Stop-loss is \$50,000, then the stop-loss carrier just paid about 45% of the cost. (\$450,000/\$1,000,000) Using that same example; if the one large claim was only \$100,000, than the percentage paid by the stop-loss carrier is 6%. (\$50,0000/\$1,000,000=6%) As you can see there is no one answer.**

- How much do the relative percentages vary for different attachment points? **It is a function of the cost of medical care in a geographic area.**
- What are the loss ratios associated with stop loss insurance policies? **I believe Stop-loss Carriers are happy if they earn 5% profit.**

6. What are the administrative costs to employers related to stop loss insurance purchased for the employers' self-insured group health plans? **There is very little administrative cost to for stop-loss as the process is facilitated by the Third Party Administrator hired by the employer.**

- How do these costs compare to the administrative costs related to purchasing a health insurance policy from an issuer? **Many insurers purchase stop-loss insurance for their risk protection. I don't know what it cost them to administer those policies.**

7. Is stop loss insurance more prevalent in certain industries or sectors? **Stop-loss insurance is available to virtually any industry. However, these policies are typically tied to the Plan that has to meet strict ERISA guidelines. So if a plan can't meet ERISA guidelines, the stop-loss policies are not typically available.**

- Are there any minimum employee participation requirements for a small employer to be offered stop loss insurance? **Only limitations of employer sizes are placed by states.**

8. What types of entities issue stop loss insurance? **Insurance Companies issue Stop-loss Insurance.**

- How many small entities¹¹ issue stop loss insurance policies? **MGU's often issue policies too, with the insurance regulated by the state.**

9. Do stop loss issuers increase fees for groups below a certain size or exclude those groups? If so, how? **Stop-loss companies want to work with good clients that are financially stable, so they make business decisions similar to any business.**

10. How do stop loss insurers evaluate the plans seeking coverage and how is this evaluation

reflected in the coverage or premiums offered? Does the profile of the plan have an effect on the attachment points available? **Each Stop-loss company has their own method to underwrite and establish premiums.**

11. How do States regulate stop loss insurance? In States that are regulating this insurance, what are the licensing processes and standards? Have States proposed laws, regulations, or best practices with regard to stop loss insurance? Do such proposals focus on attachment points, size of the group, percent of total claims paid by the stop loss insurer, or other criteria? What are the issues States face in regulating stop loss insurance? **Each state has there own regulating criteria.**

12. What effect does the availability of stop loss insurance with various attachment points and other particular provisions have on small employers' decisions to offer insurance to employees? **Stop-loss has nothing to do with employers offering insurance. Market competition, budgets and paternalistic feelings are the reason for employers offering insurance.**

13. What impact does the use of stop loss insurance by self-insured small employers have on the small group fully insured market? **Self-funding medical plans give employers the ability to customize benefits to meet his/her employee's family needs. Stop-loss is not a factor, however, stop-loss has been a stabilizing factor for health insurance as the insurance carriers do not have the ability to control the rising cost of healthcare and related premiums. Since self-insurance is a less costly method to provide a healthcare plan, employee's and employer's benefit as they are the ones that have to pay for the coverage.**

mailgate.iaatpa.com made the following annotations

If you are having trouble accessing or viewing email via IAA's Secure Email system or are having any other email technical difficulty, please click the IAA Email Support link below for assistance. Thank You!

IAA Email Support: <http://docs.iaatpa.com/support/Email.html>
